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In this issue:

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The Kansas Economy

Economic Indicators

Institute for Economic and Business Research, The University of Kansas

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Causes For The Current Economic Dilemma

Anthony Redwood

Following is an edited version of a recent address by Dr. Anthony Redwood at a conference sponsored by the Institute for Economic and Business Research (IEBR) and the Lawrence Chamber of Commerce. The address also was presented in somewhat different form to the University of Kansas School of Business Board of Advisors. Dr. Redwood is Director of IEBR and an Associate Professor at the School of Business, specializing in Human Resources and Economics.

Speaking to you as an economist, I am a representative of what has been called the "dismal science." An apt description, perhaps, because the economic news that I have for you today is reasonably dismal. In what I hope is an appropriate and interesting way, we will return to class this morning to get some picture of the way the economy has evolved and of the way it is now going. We will talk first about the long-term perspective and address these questions: What has happened in the last ten years? Why has it happened? Where are we now? And, where are we going in the next decade or at least in the next five years? Questions of this kind are not asked often enough because, as a society, we have been on a short-term kick. However, I think that, perhaps for the first time, the longer term economic considerations have become dominant and that we ignore them at our peril. I mean this in the sense that remedial policymaking must deal as much, if not more, with the long-term structure factors as with the short-run fine tuning of economic conditions. As businessmen and women, you particularly should be aware of what these longer trends are so you can put your own business picture into that pattern. In many important ways, this scenario will be more important to you than developments in the next couple of months.

The initial question concerning the long term is: What has happened in the last ten years? One unfortunate consequence of our short-term orientation is that we vacillate between our economics goals. It is confusing to the layperson to hear our economic and political leaders worry one day exclusively about inflation and the next day emphesize unemployment, economic growth, or our balance of payments. However, looking back, we can see that our political leaders have vacillated within a set of goals, as described below, that seek to enhance our economic welfare.

First of all there is price stability which is our primary concern at the moment and which probably is the most important in the immediate future. Price stability is crucial in that it gives stability to our entire economic system. Unfortunately, we have reached levels of inflation in recent years that are undermining the very fabric of our economic system. Closer to home, it is extremely important because inflation undermines the ability of business to plan to make investment decisions. It surrounds decision-making with great uncertainty. One fundamental problem that we have is that business currently is not investing or is not investing in an appropriate manner. On a broader front, relative inflation undermines our competiveness against overseas suppliers. Inflation also has different effects on different groups in our society; for example, people on fixed incomes tend to be harshly affected.

I think that, perhaps for the first time, the longer term economic considerations have become dominant and that we ignore them at our peril.

The second goal, perhaps equal in importance to the first, is the goal of full employment. In general, we define the goal as that acceptable level of unemployment that can be reached without creating undue inflationary pressures. Another goal is economic growth, through which we enhance our standard of living and create employment for a growing population. A fourth goal is one of equitable distribution of income to ensure that the common wealth is shared adequately among the members of our society without detracting from the incentives and the motivation to expand the overall pie from which this distribution occurs. Finally, there is our balance of payments. We need to pay our way in the world, and where we do not, as at present, the value of the dollar declines.

The key point about these goals is that they cannot be achieved individually without setting up economic forces that undermine the achievement of the other goals. For example, the harder we push toward full employment, the more likely we are to set up inflationary forces. Or the harder that we strive for price stability, the more unemployment is likely to rise. Consequently, the tasks of economic management should not be the single-minded pursuit of a particular goal but, rather, the achievement of an acceptable balance among them. If, for example, we make the political choice to

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strive to lower inflation and that choice becomes the fundamental goal, then we have to accept, particularly in the shorter term, certain consequences. These consequences include unemployment at levels higher than we would like them to be and a need to provide income maintenance or some other support for the jobless. Again, in the shorter term, if we hold back on the full use of our resources to lower inflation, we are lowering economic growth. In turn, lower economic growth is likely to result in an increase in the unemployment pool, but, at least in the short term, our balance of payments situation could improve and cause an upswing in the value of the dollar overseas. Conversely, if we push too hard for lower unemployment, we have higher inflation, an erosion of the dollar, and higher economic growth in the more immediate period which will then reverse over the longer term as inflation chokes off employment-creating investment.

The point is that our political process determines the balance among these goals, and it is, in great part, by way of the political process that our current economic dilemma has developed. That is, in seeking to satisfy political demands, we have perhaps tended to push too far in certain directions, creating the difficult situation we now face.

The Historical Perspective

Until the 1930s, the role of the government in economic management was largely expected to be hands off; the economy was presumed to function better without government involvement. This theory floundered in the Great Depression of the 1930s. Even economists had difficulty standing up and postulating such a theory when one third of the population was unemployed. John Maynard Keynes completely turned the situation around. He argued that the government not only can manage the economy but that the government also should manage the economy so as to improve the common welfare. Thus, the country had a mandate from economic theory for the government to intrude through the manipulation of government expenditure, tax policy, and the money supply. That has been the prevailing economic wisdom until the present. The 1980 presidential election largely was fought on whether the existing economic wisdom should continue into the '80s or whether we should modify it with some new paradigm. Quite clearly, the victorious approach draws partly on the old, pre-Keynesian theories of the 1920s—that the economy will function more efficiently if the market forces of supply and demand are allowed to interact unfettered as much as possible by government intervention. As well, the new "supply economics" challenges the Keynesian assumption that supply would respond automatically to the induced changes in demand in a near full employment economy.

We can now observe how this political process has affected our economic evolution. Graph A illustrates the record of inflation and unemployment for the United States from 1960 to 1980. Perhaps the first point to note is how much better the tradeoffs were back in the '50s and early '60s: the economy essentially operated in the lower southwest portion of the graph with 4.0 or less percent inflation accompanied by unemployment ranges of 3.5 to 6.5 percent. Then, in association with activist government policies in the late '60s and into the early '70s, the economy moved out to a new plateau in the relationship between inflation and unemployment. Then, on into the '70s, we moved up to yet another plateau. Potentially, we are talking about a new, even higher plateau for the early 1980s. In Table A are listed the unemployment rates and inflation rates for the same period. Also listed is what one noted economist years ago called the "Discomfort Index" but which President Carter referred to as the "Misery Index" when he was running for president in 1976. This "index" is the sum of the unemployment rate and the inflation rate. The discomfort index, which used to be below 10 in the '60s and '50s, has now moved up steadily to the vicinity of 20. The latest forecasts to 1985 of the Council of Economic Advisers do not anticipate any immediate improvement in this regard, and neither do I.

We really are in a serious economic dilemma at the moment. It took us well over a decade to get there, and it is going to take close to a decade to get out of it . . . assuming we have the political will to do so.

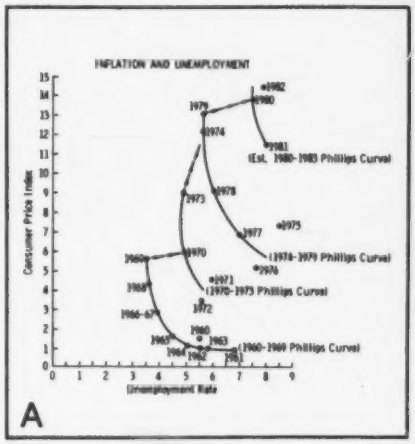

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Table A
Inflation and Unemployment: United States

Year	Unemployment Rate	Inflation	Discomfort Index
1960	5.5	1.6	7.1
1961	6.7	1.0	7.7
1962	5.5	1.1	6.6
1963	5.7	1.2	6.9
1964	5.2	1.3	6.5
1965	4.5	1.7	6.2
1966	3.8	2.9	6.7
1967	3.8	2.9	6.7
1968	3.6	4.2	7.8
1969	3.5	5.4	8.9
1970	4.9	5.9	10.8
1971	5.9	4.3	10.2
1972	5.6	3.3	8.9
1973	4.9	8.8	13.7
1974	5.6	12.2	17.8
1975	8.5	7.0	15.5
1976	7.7	4.8	12.5
1977	7.0	6.8	13.8
1978	6.0	9.0	15.0
1979	5.8	13.3	19.1
Forecasts (*Economic Report of the President 1980*)			
1980	7.5	13.5	21.0
1981	8.0	11.5	19.5
1982	7.8	14.0	21.8
1983	7.5	13.0	20.5
1984	7.0	12.0	19.0
1985	6.0	11.0	17.0

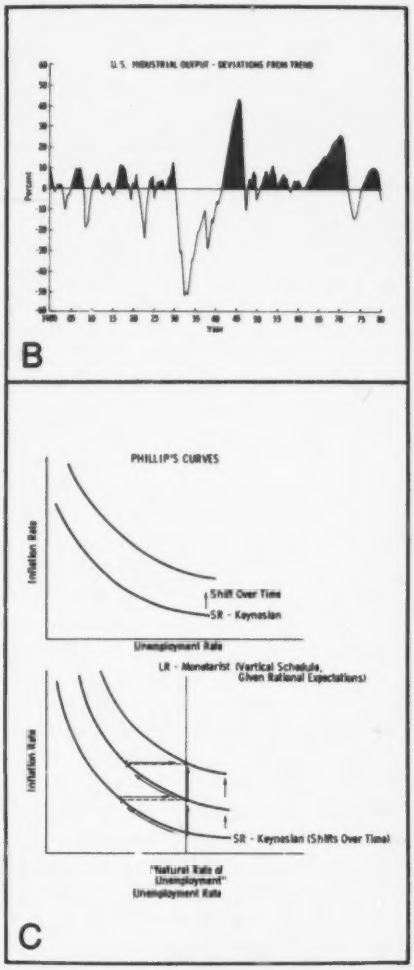
We really are in a serious economic dilemma at the moment. It took us well over a decade to get there, and it is going to take close to a decade to get out of it . . . assuming we have the political will to do so.

Looking at the economic record from another perspective, Graph B shows the industrial output of the U.S. from 1900 to 1980 in terms of deviations from trend. This graph's purpose is to reinforce the point that recessions come like night and day and that the economy is in fact quite volatile. We can note this in particular for the period prior to World War II. One of the important benefits that we have gained from putting Keynesian theory into practice is, up to now, the ability to ensure that our busts and booms are not as wild as they used to be. Note that, since the Second World War, we seem able to sustain the economy on a more even keel and for longer periods of upswing and boom than previously, and also note that our recessions have been much more modest than prior to the Second World War, with the exception of the '73-'74 recession. However, there is a case made by economists that we are losing this ability and that our swings are starting to get bigger again both up and down.

Why has this happened? Perhaps one important reason is that economists have not really been able to comprehend the functioning of the economic system. The economy is, of course, incredibly complex. A huge number of transactions occur daily, and we assemble all those transactions into big aggregates. For example, we add up all consumer expenditures and we call it consumption. Within those aggregates, much information is hidden, and we have not been able to plot very well the flow of relationships between the aggregates. Unfortunately, we cannot stop everything for a year and study it, so economists really lack a handle on the complexities of the function of our economic system. The importance of these conflicts and confusions in theories lies in the confused and conflicting economic goals that the government sets and the type of policy that flows from those goals. If, for example, the unemployment rate is up to, say, 8.0 percent, then the government can adopt a number of policies. It may lower taxes so that people have more spending money. More money will be spent, and it will filter throughout the system, create more jobs, and lower the unemployment rate. Alternatively, the government might propose a government program. For example, in 1977 President Carter introduced a $20 billion economic stimulus package, half of which contained money for employment and training programs, and half of which was filtered through the Economic Development Administration of the Department of Commerce for public works in economically depressed regions.

The effect of the government's pumping an extra $20 billion into the economy in 1977 when the unemployment rate was about 6.5 percent and declining was to stimulate a further decline in unemployment to achieve what then was perceived to be a reasonable goal for unemployment, somewhere around 5.0 percent. But another effect was what Keynes had said it would be: When you push down on the unemployment rate, sooner or later you will arrive at some threshold level when significant inflationary consequences start occurring. What are these consequences? With unemployment lower, the unions, for example, become more powerful and are able to secure larger wage gains, which go into unit costs, which were passed on through higher prices as the demand for goods and services continues to grow. And, in such a situation, industry uses less capable labor and poorer raw materials. All these and other factors are conducive to higher prices, and so, as unemployment is pushed down, inflation is pushed up. In essence, unemployment was pushed down by this unrealistic goal setting and demand-manipulation policy to a level (5.5 percent) that was not tolerable from the perspective of the inflation goal, and the price situation was worsened by the exacerbated balance of payments deficits and lowered value of the dollar overseas.

This capsule history illustrates nicely the point made earlier: By treating one economic goal as if in a vacuum, the achievement of others was undermined. This much an economist can understand and generally predict,



and this pattern is illustrated in the upper graph of Graph C. The fundamental question, however, has become, "Why has the plateau as shown on Graph A moved out?" Again, economists cannot agree on the causes. One group contends that structural unemployment has increased; that is, we have lost productive capability in the work force because it has a greater proportion of less skilled youth and women, that we are less mobile than we used to be, that labor is not moving to where it is needed, and so on. These labor market factors, reinforced by other considerations such as reduced competitiveness in the system, insufficient social investment in infrastructure, and the like, underpin a movement of the trade-off curve upwards to the right, as shown in the upper portion of Graph C. We will look at these factors further below.

The stance of the Federal Reserve at the moment is largely based on Milton Friedman's theories and therein, by

the way, lies the explanation of why interest rates are far above what they normally would be in the current phase of the present recession. Friedman says that there is some natural rate of unemployment and that every time demand management pushes unemployment below this particular level, inflation heats up and expectations develop concerning its future direction. Initially, production is increased in response to this additional demand, prices are raised, and extra profits are generated. Wage increases follow, removing the profit incentive to continue production at these higher levels, so that production levels fall. Prices do not. The next round of induced demand repeats the cycle, except that inflation commences from a higher base each time as expectations are built into behavior. An inflation spiral results, as shown in the lower portion of Graph C.

Whether we favor Keynes "threshold" level or Friedman's "natural" rate of unemployment as conceptually more sound in this context, one thing is clear—either way, the rate of unemployment that we can reach before inflationary consequences become serious has risen in the past decade.

Let me illustrate some labor market forces by looking at the population structure of the United States from 1970 to 1985. (See Graph D.) By population structure, I mean the percentage each age group comprises of the total population. Children born in the baby boom of the 1955-60 period comprise, in 1970, nearly 20 percent of the population as 10-19 year olds and are obviously the dominant group. Further along in the 1970s, they became 20-29 years old, making for a tremendous surge into the work force. Somehow the system has had to absorb this group, and the system has been struggling to do it. Note also that the age 20-29 group starts declining in the 1980s, and herein lies one of the major problems we are going to have in the management of human resources in business in the future—this baby boom bulge working its way through the system for the next 20 to 30 years. Similarly, Graph E shows the female labor-force participation rate for each age group. This graph reflects the surge of women into the work force, concurrent with the influx of young people. It has been a tremendous surge; women have comprised over 60 percent of all new entrants into the work force for the last 15 years.

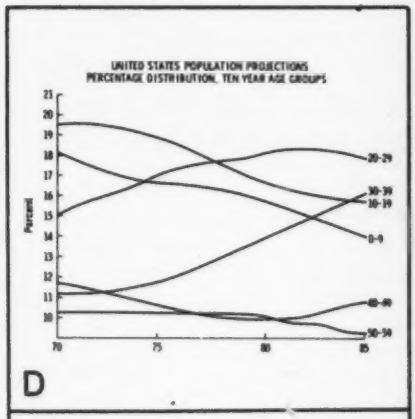
Let me move now to another aspect of economic management. Graph F shows that we have government deficits in every year from 1970 to 1979. Going back to theory, I should add that we ought not blame this on Keynes. Keynes postulated that, when you manipulate government expenditures and taxes, you should have deficits when things are bad and surpluses when things are good. Unfortunately, the word "surplus" has gone out of the vocabulary because, for the last 21 years, we have had only one surplus year, and that was way back in the '60s. It's interesting to note, however, that the deficit relative to the size of the government budget has not increased overtly.

The key point about a deficit is, of course, that it has to be funded. One way or another this will induce increased competition in the money market for available funds, higher interest rates, and a dampening effect on private sector investment and expansion. At the same time, the problems of managing the money problems are exacerbated.

Governmental Growth

Let us consider now the government's role in the economy from perspectives besides business cycle economic management. The size of the government sector, as a percentage of gross national product since 1960, is shown in Graph G; the results of an activist philosophy of government are evident. While the proportion tends to rise in recessions and decline in boom phases of the business cycle, the underlying trend has been up, and the federal figure is currently around 20 to 21 percent. The total government sector proportion is on the order of 31 to 33 percent. The fundamental question for society is whether we are at the stage where further shifts in the composition of our national economic activity in the direction of government will better serve our socioeconomic welfare than an alternative re-emphasis on the private sector.

Closely associated with the size of the government is the way it raises its revenue. There is a growing consensus that the tax system has become counter productive. Graph H shows that government policy with respect to taxing business can have a significant effect on the degree of investment in our system, and the degree of investment in our system is crucial in terms of our future growth and future inflation. Note how flat real capital investment has been since the mid-1960s. We should also mention that in periods of rapid inflation, as we have been experiencing, the historical cost basis for depreciation and inventory valua-



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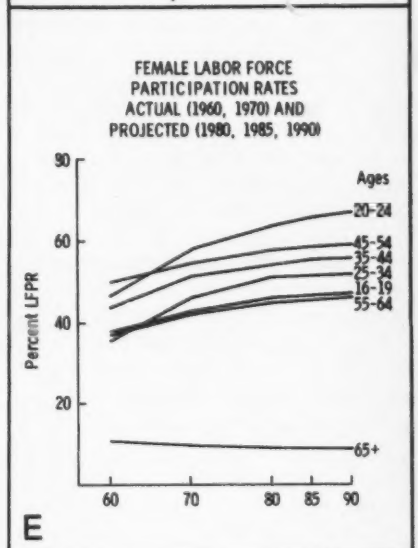

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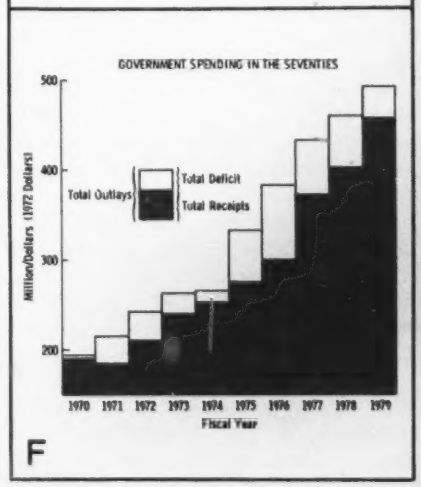

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tion have the effect of increasing the resources transferred to the government that could otherwise be used for private sector investment.

Taxes, of course, also affect consumers, and one consequence of the progressive tax system is that today, in 1980, real purchasing power of consumers is actually less than it was in 1970. Inflation is again the problem, in that it has simply propelled people into higher tax brackets. For example, if inflation goes up 10 percent and your wages are adjusted 10 percent in dollar terms, you are worse off by one or two percent in real terms after you take into account the fact that you will be in a higher tax bracket. Your increase will be, say, 8.0 percent, or two percentage points below what is necessary for you to stay even. In recent years, money wages have actually lagged behind price movements. In essence, the progressive tax system has had the effect of transferring resources away from the consumer to the federal government.

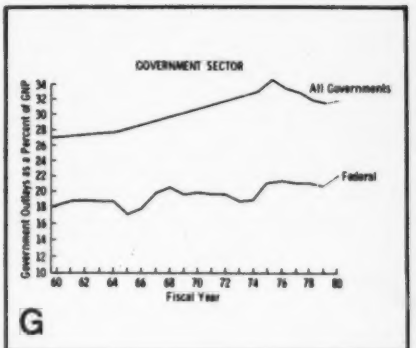
One important consequence is the likely effect of higher marginal tax rates on the incentive to work and excel. This effect has definitely occurred in other developed countries—I saw it firsthand in Australia, where several successive years of high inflation soon brought even the average wage earner to a 45 percent marginal tax rate. Another distressing result is that our politicians are no longer bound by the constraining influence of having to raise the taxes to pay for the spending programs they sponsor. Indeed, as socialist countries overseas found, the higher the inflation the greater the redistribution to the government. We have exactly the same situation in the United States, and the problem will only be overcome with the implementation of tax indexation.

Another dimension of the government sector role in the economy is how it spends its resources. Graph I shows government budget expenditures on those items which largely enhance our economic infrastructure. That is, they are largely the outlays that the government makes in freeways, airports, the general road system, and other forms of what we call social investment. Next, observe Graph J, the government outlay on what are called transfers—the redistribution of income from some groups in society to others (income security and welfare expenditures and related social expenditures). The pattern of the growth that has occurred in the social investment and in the government transfers is very interesting. In 1970, social investment exceeded government transfers by $42 billion; in 1979, government transfers exceeded social investments by $31 billion. The increase in government transfers in this decade has been 365 percent, while the increase in social investment has been 73 percent. I am not saying that we should abandon our obligations to the disadvantaged in our society. I am raising the question as to which form of outlay is conducive to our long-term socioeconomic welfare, and I am suggesting that there is a consequence for our economic performance of the government expenditure shifting unduly into these avenues which are largely nonproductive from an economic point of view.

Let me discuss another area in which the government has affected our economic situation. Look at the Harris Bank of Chicago's estimate of the cost of compliance to business of government regulation (see Graph K). Is our economic system becoming strangled by social regulation, when the annual cost of compliance is estimated in the vicinity of $160 billion? The regulators are not required to examine the economic tradeoffs between different approaches to a regulatory goal. They are not required to justify regulation in terms of cost-benefit, nor of inflation impact. The agencies largely regulate to minimize political costs, not social costs, and the costs of regulation are hidden from the public and become higher taxes, higher business costs, and inflation. We regulate to appease vocal special groups, at the public expense. Our regulatory process has become counterproductive. It is a classic example of the extent to which equity has dominated efficiency in policymaking the past several decades.

Private Sector Influence

The business sector has contributed to our economic mess (whatever portion of the blame it might wish to attribute to the government). This contribution is reflected in the decline in labor productivity growth in the period since the Second World War (Graph L). The rapidity of the decline in recent years is alarming, from an average of around 3.0 percent in the 1950s to less



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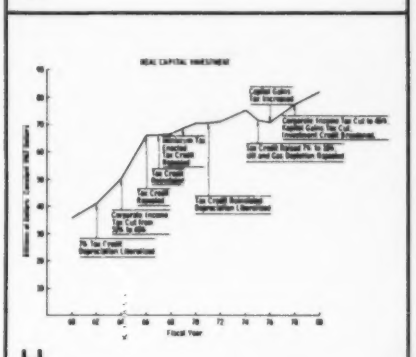
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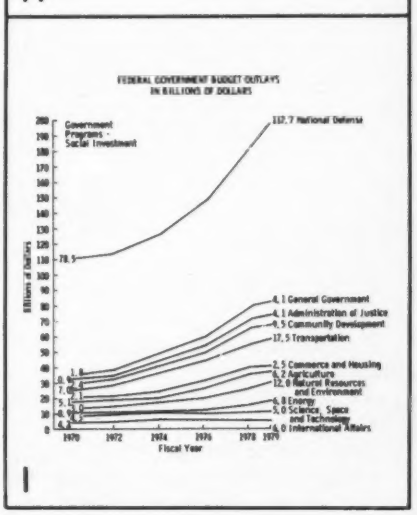

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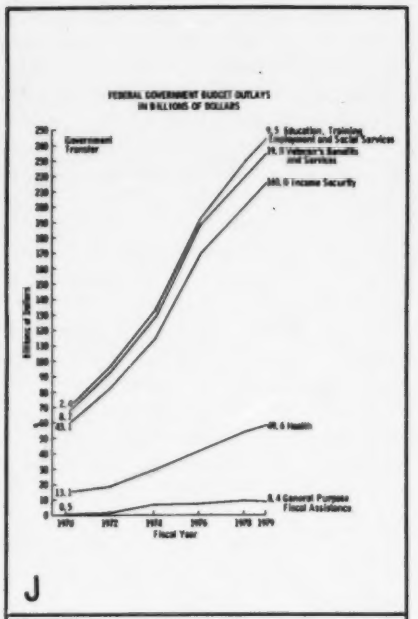
than 1.0 percent in the last few years. There are many reasons for this decline. Capital investment has been increasingly inadequate and short-term oriented because of inflation. A reduced research and development effort has been increasingly directed towards nonproductive areas of pollution control and energy conservation, and there is the growing preeminence of the service sector in our economic structure, where productivity gains are hard to come by. The work force could be of lower quality if the influx of lesser skilled youth and women has offset its higher education level.

Business will contend that the work force is less motivated than it used to be, but there is also the view that business has not been efficient in its utilization of labor, given its ample availability.

Perhaps one very important factor is that there seems to have been a lack of cooperation between business and government. In fact, I would typify the relationship between government and business for a number of years now as essentially being on an adversary basis. In my view, we are suffering the consequences of a lack of consistency in policy direction and of systematic interaction in the national interest. Cooperation and consistent policy-making are not precluded in a market system, and our growing competitive disadvantage in world markets necessitates them (see Graph M for our unfavorable productivity situation relative to our main overseas competitors).

Graph N illustrates another important problem. Notice that the saving rate in the United States, what we save out of our disposable income, is low, far lower than in Germany and Japan, our two main competitors, and has been declining. Hence the relative availability of funds for businesses to draw upon for investment purposes is extremely low. This graph also shows, by the way, what a consumer-oriented society we have become. We are saving only 4.0 percent of our disposable income.

A low savings rate leads to a low investment rate. Graph O shows investment in plant and equipment as a percent of gross national product for the United States, Germany, and Japan. We can see the decline that has occurred for all countries, but note that Germany has picked up recently and that the U.S. again is the lowest of all. Graph P shows the decline in industrial research and development expenditure in real terms from 2.1 percent of GNP in 1960 to 1.6 percent in 1980. The significant point concerning our industrial research effort is that the proportion devoted to pure research has halved, and overall it has become more short term in orientation. In essence, the basic underpinning for innovation and competitiveness has eroded through short-sighted management, inflation, and our regulation.



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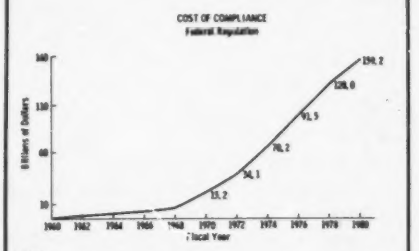

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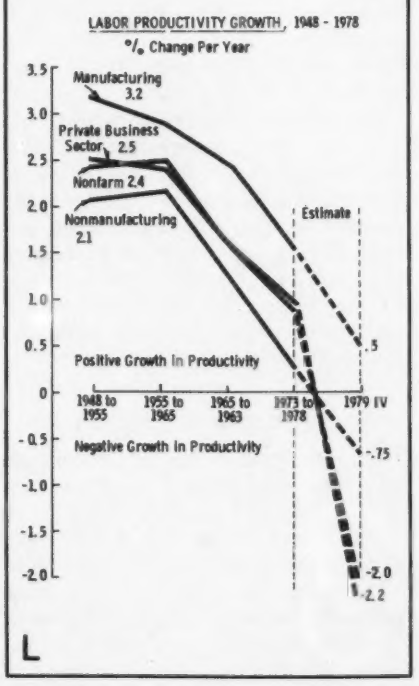

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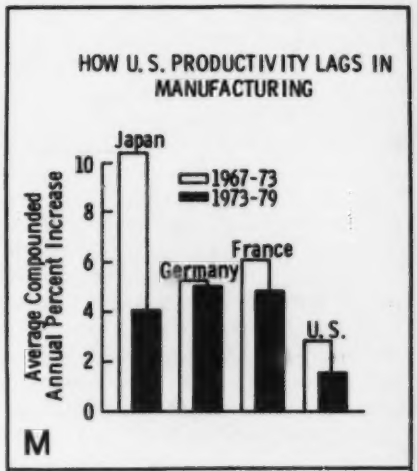

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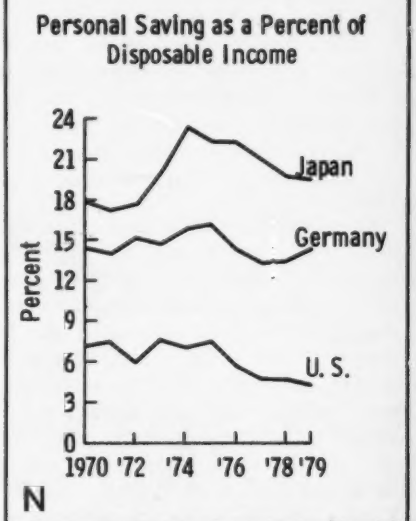

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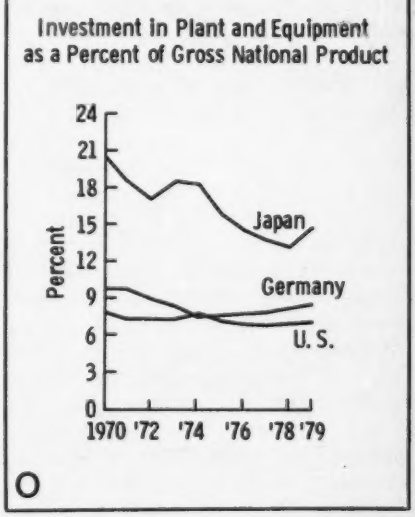

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Graph Q shows the profits picture for business. The top lines show what appears to be the profit situation—it looks good. The bottom line tells the real profit story. Real profits have grown very slowly over this period. This is the second primary source for employment-creating and inflation-abating investment expenditures.

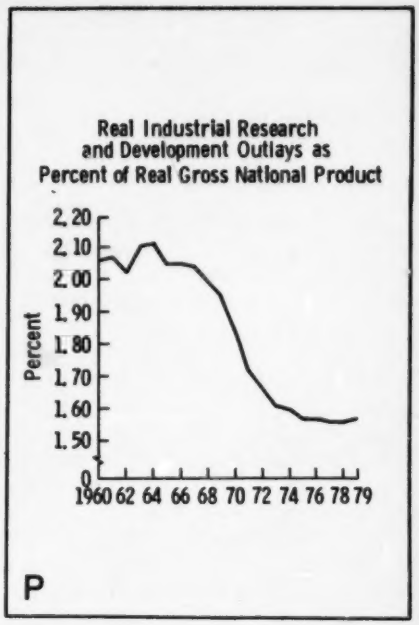
Outlook

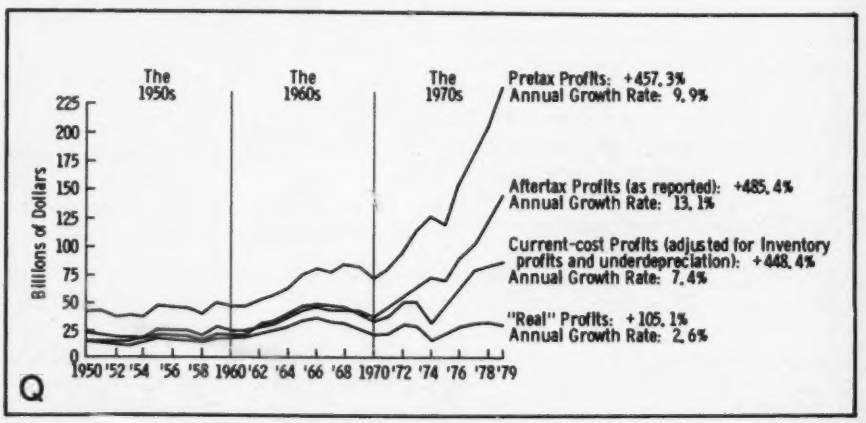
In essence then, the long-term developments have caught up with us, and the present economic mess is the outcome. Furthermore, the problem is not one that we can turn around straight away. For example, tax restructuring is required, and whenever Congress talks about taxes, every interest group in the world is there hindering the process. A host of similar questions arise concerning our economic fate: Will we have the fiscal and monetary responsibility that we need? Can we, in fact, decontrol to get a more competitive economy? Is deregulation other than the small amount we've done feasible, particularly given the resistance of many businesses to the removal of this prop? Very strong forces underlie where we are, and it is going to require a substantial rethinking on the part of business, government, and the general populus before we can turn this present situation around.

The most difficult part of this effort will be to develop a more long-term perspective in our thinking and policy approach. At present, the reward systems in our society are completely short-term in nature: The performance of business executives is judged on the basis of quarterly and annual profits; most of our politicians are re-elected on a two-year basis and again judged on what they have done (programs and regulations sponsored); bureaucrats gain status with the size of the programs they administer; and the media is interested in today's story only. We consume now rather than save for tomorrow, and so on. Perish the thought, but even economists are at fault here—the teaching of macroeconomics, of how the economic system functions, is almost totally short-term and business cycle-related. We have to wonder if there is the patience in our system to sustain slowly working, long-term remedial action.

I contend that the dominant consideration about our economy today is not that we are currently in the trough of another business recession, but rather that the long-term compounding of our economic behavior has created structural trends that leave us in ever-worsening economic dilemmas. We have reached the stage where not only has an erosion of our economic welfare occurred, but also where an acceleration in our economic decline is possible, even likely, if tough, "bite-the bullet" remedial action is not implemented and, most of all, sustained. We are at the crossroads. In this context, the relevance of the immediate cyclical situation is that we will be starting the recovery phase during 1981 from an economic plateau (Graph A), that is so unfavorable that one can only anticipate a sluggish economy in the next few years if inflation is to be constrained and longer-term remedial policies are to be given the opportunity to take effect.

I contend that the dominant consideration about our economy today is not that we are currently in the trough of another business recession, but rather that the long-term compounding of our economic behavior has created structural trends that leave us in ever-worsening economic dilemmas.





Sources

Table A	*Economic Report of the President 1980*	H	*Business Week*, June 30, 1980
Graphs		I	*Economic Report of the President 1980*
A	*Economic Report of the President 1980*	J	*Economic Report of the President 1980*
B	Robert Bach, *Basic Economics*	K	Harris Bank of Chicago, October 1980
C	Institute for Economic and Business Research	L	*Economic Report of the President 1980*
D	Population Projection, Institute for Economic and Business Research	M	*Business Week*, June 30, 1980
E	Bureau of Labor Statistics	N	*Business Week*, June 30, 1980
F	*Economic Report of the President 1980*	O	*Business Week*, June 30, 1980
G	U.S. Department of Commerce, Bureau of Economic Analysis	P	*Business Week*, June 30, 1980
		Q	*Business Week*, June 30, 1980

The Kansas Economy

General Business

For the past five quarters, the American economy has been participating in an interesting experiment. The Federal Reserve, under the leadership of Paul Volker, switched its emphasis in monetary policy from a target set of interest rates to a targeted set of growth rates in various money-supply measures. This switch in policy represents the current ascendancy of monetarism over Keynesianism. One benefit of this switch was expected to be a more direct assault on inflation. Monetarists argue that changes in the money supply directly alter the price level, if other factors remain the same. Thus, by gradually lowering the rate of growth of the money supply, the rate of inflation gradually would be diminished. The money-supply figures for the past 15 months indicate that the Federal Reserve is seriously sticking to it plan of using money-supply targets rather than interest-rate targets, and the Federal Reserve does seem to have taken dead aim at inflation. The jury is still out on the effectiveness of monetarist policy prescriptions. One side effect, although not unforeseen, has been a larger problem than expected. Interest rates have behaved extremely erratically, especially in the context of the relatively stable interest rates of the past 35 years. One of the effects of the volatile interest rates has been increased uncertainty for businesses, further hindering long-range planning in business investment.

The surge in interest rates since the summer has called into question predictions of an early recovery from 1980's recession. As was mentioned in the last *Kansas Business Review*, evidence concerning an early recovery from the recession was mixed. Now the preponderance of evidence suggests that recovery will be delayed. There seem to be two schools of thought concerning the current recession: First, it is argued that the current recession is going to be a double-dipped recession. The first dip was the dramatic slide the economy took during the winter and spring. Then, early last summer, the economy began its recovery. The initial estimate of a 1.0 percent increase in GNP for the third quarter confirmed this belief. The surge in interest rates, however, quashed the recovery in its infancy, causing the second dip. The other school of thought argues that there was not a recovery to abort in the early fall. What happened was that credit controls, begun in the early phases of the recession, caused the economy to plummet faster than it ordinarily would have. Then, as the credit controls were relaxed, the economy returned to its normal business-cycle pattern. Thus, the third quarter did not represent the beginning of an economic recovery but rather the return of the economy to a normal recession path.

Regardless of which school of thought is correct, one point is certain: The near future is going to be difficult for the economy. The two industries that are first affected by increases in interest rates are the automobile and housing industries. In October, sales of new single-family homes declined 4.4 percent nationally from September and were down 18.8 percent from October of the previous year. During the November 21-30 period, domestic car sales fell 18 percent below sales for the same time a year ago, and the 1979-80 car year was not good. These figures indicate that economic recovery is still down the road.

The last data available for the Kansas economy do not show any effects of the surge in interest rates. Kansas tends to be less sensitive to quick changes in the economy than states, such as Michigan and Ohio, with large amounts of durable-goods manufacturing. Thus, the influence of the tighter credit should not be felt for several months, and, when it is felt, the result should be proportionately milder in Kansas than for the nation.

The September data for Kansas indicate the average work week in manufacturing climbed to nearly the level of a year ago, and initial claims for unemployment fell below 10,000 for the first time this year. It appears that the Kansas economy by September was recovering from the slump it experienced last spring and summer.

The major question facing the Kansas economy is: How severely will the Kansas economy be affected by the surge in interest rates?

Employment

The Kansas employment situation turned upward slightly in September. Total nonfarm wage and salary employment by place of work increased 1.7 percent above the August 1980 level. The major increase in employment was in state and local governments, and most of this increase was the result of a seasonal factor—the beginning of school. Of more importance is that the total employment in September 1980 was 0.7 percent below September 1979 and employment in August 1980 was 0.9 percent below the year previous. This indicates that employment is inching itself back to its 1979 levels. The two sectors hardest hit by the recession are contract construction (down 11.4 percent from a year ago) and manufacturing (down 7.3 percent from a year ago). The September 1980 employment level in manufacturing, however, represents a slight improvement because the August 1980 level of employment was 8.5 percent below the level of the previous year. The improvement in manufacturing employment came in

the durable goods sector where employment moved from being 10.7 percent below the level of the previous year in August 1980 to only 8.7 percent below the level of the previous year in September 1980. Employment in the nondurable-goods sector was 4.6 percent below the level of the previous year in both August and September of 1980.

The employment situation improved in September and, if interest rates had not surged as they did, employment would have improved even more. But the interest-rate increase minimized any cause for optimism about employment.

Regional Employment

The statewide unemployment rate dropped from 4.3 percent in August to 4.0 percent in September. The size of this drop represents an increase in the number of employed persons as well as a decrease in the number of unemployed persons. The unemployment rate remains nearly 1.5 percent higher this year than at the same time last year. The urban areas which have the smallest increase in the unemployment rate from a year ago are: The Great Bend area, 2.5 percent compared with 1.5 percent a year ago; the Kansas portion of the Kansas City SMSA, 4.5 percent compared with 3.7 percent a year ago; the Lawrence SMSA, 4.1 percent compared with 2.9 percent a year ago; and the Wichita SMSA, 3.8 percent compared to 2.5 percent a year ago. The area having by far the worst unemployment situation is Hutchinson. The unemployment rate in September was 6.0 percent compared with 1.9 percent a year ago. The problem can be traced, in part, to layoffs by Cessna.

Retail Sales

Retail sales, as measured by retail sales-tax receipts, grew again in September for Kansas. Third-quarter Kansas retail sales were 11.8 percent higher than second-quarter retail sales. Third-quarter retail sales were 6.5 percent higher than a year ago, but it must be recognized that the state's retail sales-tax laws were changed in July 1979. Collections on public utility sales to residential customers were exempted, and some of the pre-July 1979 charges filtered into the third quarter 1979 figures. If retail sales of public utilities were ignored, then from third quarter 1979 to third quarter 1980 retail sales increased 10.3 percent. When inflation is taken into account, retail sales actually declined during this period. The effects of the recession, particularly the high interest rates for much of 1980, are reflected in the figures for the retail sales of various business classifications.

Automobile retail sales increased only 1.9 percent from the third quarter of 1979 to the third quarter of 1980. Furniture sales increased only 9.2 percent during this same period. Directly related to the problems in the housing industry was the 1.8 percent drop in retail sales of building and lumber material during the same time period.

Retail Sales by Region

The two major retail sales centers in Kansas—Sedgwick and Johnson counties—had impressive gains in retail sales from the second quarter to the third quarter of 1980. When compared with a year ago, however, the retail sales growth in these two centers was actually less than the rate of inflation. Butler County, meanwhile, which is part of the Wichita SMSA, had a 26.5 percent increase in retail sales from the third quarter of 1979 to the third quarter of 1980. Shawnee (Topeka) and Wyandotte (Kansas City, Kansas) counties experienced even less growth in retail sales from third quarter 1979 to third quarter 1980. (Shawnee County actually experienced a slight decline in retail sales during this period.) Two of the larger retail trading centers in the western part of Kansas experienced growth rates in retail sales larger than the rate of inflation. Barton County (Great Bend) had a growth in retail sales of 35.6 percent and Ellis County (Hays) had a growth rate of 21.7 percent over the past year.

Farm Prices

The farm situation took a turn for the better midway through 1980 and has continued its upward swing through September. Field crop prices have been rising steadily with all crops reporting higher prices in September 1980 than in September 1979. Except for wheat, all field crops have price increases of more than 10 percent. The increase in prices is due to an expanded export market, caused in part by a trade agreement with China and by crop failures in the Soviet Union, Australia, and Argentina. Also boosting prices was the drought that struck the Midwest, particularly the Plains states, this past summer. The crop most affected by the drought was soybeans.

The situation for livestock and livestock products has not been as good. Cattle and calf prices are still substantially below their 1979 prices, and sheep prices are 41.7 percent below a year ago. Because of a cut in supply, hog prices have been increasing and are now 21.9 percent higher than in September 1979.

Not only have the prices farmers receive for crops been increasing, but also have the prices farmers must pay for livestock feed. All feed prices were at least 10 percent higher in September 1980 than in September 1979, except for soybean meal. Given the current reduced supply in the soybean market, this price should soon begin to rise at an accelerated rate. Thus, farmers are continuing to face a problem they have faced for several years—increased product prices offset by increased costs.

Financial Activity

The surge in interest rates, which began last summer, appears to have begun affecting Kansas banking statistics. Statewide, total loans increased slightly from August to September for banks that are members of the Federal Reserve System but decreased slightly for all banks in Kansas. Wichita and Kansas City, Kansas, banks registered slight increases in loans during this same time period, in which Topeka banks experienced a slight drop in loans.

The effectiveness of the past year's Federal Reserve policy of tightening up money can be seen in comparing loan-to-deposit ratios for September 1980 and September 1979. Statewide the loan-to-deposit ratio dropped about 6.0 percent. For Kansas City, Kansas, banks and Wichita banks, the loan-to-deposit ratio dropped about 10 percent. The only major center which experienced an increase in the loan-to-deposit ratio was Topeka, and it was not caused by an increase in loans (loans dropped nearly 6.0 percent) but by a substantial drop in time and savings deposits.

The situation for savings and loan institutions has improved for the past few months. In both August and September, mortgage loans made totaled more than $100 million. Net new savings still remain low and, in fact, dropped to slightly above the $1 million mark in September 1980. The near future for savings and loan institutions might reverse itself again because of sharp increases in mortgage rates.

TABLE I
GENERAL BUSINESS INDICATORS

	Sept. 1980	Aug. 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	41.30	40.10	3.0	39.80	40.70
Average Weekly Earnings (dollars)	308.92	294.74	4.8	289.73	240.99
Initial Claims for					
Unemployment Insurance	9,428.00	15,816.00	– 40.4	15,128.00	8,082.00
New Incorporations					
In-State For Profit	349.00	368.00	– 5.2	424.00	336.00
Out-of-State For Profit	110.00	89.00	23.6	93.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK
(thousands)

Industry	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change
All Industries	949.5	933.3	1.7	956.5	– 0.7
Manufacturing	181.4	179.4	1.1	195.7	– 7.3
Durable Goods	117.7	114.9	2.4	128.9	– 8.7
Stone, Clay, Glass	8.6	8.5	1.2	9.5	– 9.5
Primary Metals	3.8	3.8	0.0	4.3	– 11.6
Fabricated Metal Products	11.1	11.1	0.0	14.1	– 21.3
Machinery (incl. elec.)	33.4	33.3	0.3	38.1	– 12.3
Transportation Equipment	49.1	46.6	5.4	50.3	– 2.4
Aircraft & Parts	42.3	41.7	1.4	44.3	– 4.5
Other Durable Goods	11.7	11.6	0.9	12.6	– 7.1
Nondurable Goods	63.7	64.5	– 1.2	66.8	– 4.6
Food & Kindred Products	22.3	22.4	– 0.4	23.2	– 3.9
Meat Products	8.3	8.3	0.0	9.2	– 9.8
Apparel	3.7	3.7	0.0	3.6	2.8
Printing & Publishing	15.9	16.4	– 3.0	16.2	– 1.9
Chemicals	8.8	8.8	0.0	8.4	4.8
Petroleum & Coal	4.3	4.6	– 6.5	4.5	– 4.4
Other Nondurable	8.7	8.6	1.2	10.8	– 19.4
Mining	15.0	15.5	– 3.2	14.3	4.9
Oil & Gas Extraction	12.8	13.2	– 3.0	11.8	8.5
Contract Construction	50.3	51.0	– 1.4	56.8	– 11.4
Trans., Comm., Elec., Gas	65.2	65.1	0.2	65.2	0.0
Wholesale Trade	65.4	65.8	– 0.6	63.8	2.5
Retail Trade	163.2	161.9	0.8	164.1	– 0.5
Finance, Insurance, Real Estate	46.5	46.9	– 0.9	46.3	0.4
Services	175.8	174.9	0.5	168.7	4.2
Federal Government	27.5	27.3	0.7	26.2	5.0
State & Local Government	159.1	145.5	9.3	155.4	2.4

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,224,500	1,218,500	0.5	1,221,200	0.3
Employed	1,175,400	1,166,700	0.7	1,189,000	– 1.1
Farm	71,000	74,400	– 4.6	72,800	– 2.2
Non-Farm	1,104,400	1,092,000	1.1	1,116,400	– 1.1
Unemployed	49,100	51,800	– 5.2	32,200	52.5
Rate	4.0%	4.3%		2.6%	
Lawrence SMSA					
Civilian Labor Force	36,500	33,400	9.3	34,400	6.1
Employed	35,000	32,000	9.4	33,400	4.8
Farm	900	900	0.0	900	0.0
Non-Farm	34,100	31,100	9.6	32,500	4.9
Unemployed	1,500	1,400	7.1	1,000	50.0
Rate	4.1%	4.2%		2.9%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	272,700	270,700	0.7	265,300	2.9
Employed	260,300	257,800	1.0	255,600	1.8
Farm	1,600	1,600	0.0	1,600	0.0
Non-Farm	258,700	256,200	1.0	254,000	1.9
Unemployed	12,400	13,900	– 10.8	9,700	27.8
Rate	4.5%	5.1%		3.7%	
Topeka SMSA					
Civilian Labor Force	96,000	96,000	0.0	95,200	0.8
Employed	91,000	91,000	0.0	92,100	– 1.2
Farm	2,100	2,200	– 4.5	2,100	0.0
Non-Farm	88,900	88,600	0.3	90,000	– 1.2
Unemployed	5,000	5,000	0.0	3,100	61.3
Rate	5.2%	5.2%		3.3%	
Wichita SMSA					
Civilian Labor Force	226,800	226,000	0.4	226,100	0.3
Employed	218,200	216,800	0.6	220,400	– 1.0
Farm	2,900	3,000	– 3.3	3,000	– 3.3
Non-Farm	215,300	213,800	0.7	217,400	– 1.0
Unemployed	8,600	9,200	– 6.5	5,700	50.9
Rate	3.8%	4.1%		2.5%	
Barton Co.—Great Bend Area					
Civilian Labor Force	17,850	17,675	1.0	17,750	0.6
Employed	17,400	17,175	1.3	17,475	– 0.4
Farm	1,050	1,100	– 4.5	1,075	– 2.3
Non-Farm	16,350	16,075	1.7	16,400	– 0.3
Unemployed	450	500	– 10.0	275	63.6
Rate	2.5%	2.8%		1.5%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,850	16,400	2.7	16,850	0.0
Employed	16,050	15,550	3.2	16,325	– 1.7
Farm	950	1,000	– 5.0	950	0.0
Non-Farm	15,100	14,550	3.8	15,375	– 1.8
Unemployed	800	850	– 5.9	525	52.4
Rate	4.7%	5.2%		3.1%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,750	17,000	4.4	17,975	– 1.3
Employed	17,100	16,375	4.4	17,600	– 2.8
Farm	925	975	– 5.1	950	– 2.6
Non-Farm	16,175	15,400	5.0	16,650	– 2.9
Unemployed	650	625	4.0	375	73.3
Rate	3.7%	3.7%		2.1%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	21,100	20,975	0.6	21,750	– 3.0
Employed	20,150	19,875	1.4	21,250	– 5.2
Farm	675	700	– 3.6	700	– 3.6
Non-Farm	19,475	19,175	1.6	20,550	– 5.2
Unemployed	950	1,100	– 13.6	500	90.0
Rate	4.5%	5.2%		2.3%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	33,225	30,650	8.4	35,100	– 5.3
Employed	31,225	28,500	9.6	34,425	– 9.3
Farm	1,500	1,575	– 4.8	1,525	– 1.6
Non-Farm	29,725	26,925	10.4	32,900	– 9.7
Unemployed	2,000	2,150	– 7.0	675	196.3
Rate	6.0%	7.0%		1.9%	
Riley Co.—Manhattan Area					
Civilian Labor Force	22,075	19,875	11.1	22,000	0.3
Employed	21,200	19,000	11.6	21,450	– 1.2
Farm	1,175	1,250	– 6.0	1,225	– 4.1
Non-Farm	20,025	17,750	12.8	20,225	– 1.0
Unemployed	875	875	0.0	550	59.1
Rate	4.0%	4.4%		2.5%	
Saline Co.—Salina Area					
Civilian Labor Force	26,325	26,000	1.3	26,425	– 0.4
Employed	25,075	24,725	1.4	25,775	– 2.7
Farm	775	825	– 6.1	800	– 3.1
Non-Farm	24,300	23,900	1.7	24,975	– 2.7
Unemployed	1,250	1,275	– 2.0	675	85.2
Rate	4.7%	4.9%		2.6%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX
BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Sept. * 1980	June* 1980	% change	Sept.* 1979	% change
Apparel	27.1	24.6	10.2	24.0	12.9
Automotive	204.6	181.8	12.5	200.7	1.9
Food	254.3	232.1	9.6	227.3	11.9
Furniture	42.7	38.5	10.9	39.1	9.2
General Merchandise	154.6	131.3	17.7	137.0	12.8
Lumber and Building Materials	91.1	75.4	20.8	92.8	– 1.8
Professional and Personal Service	45.7	38.1	19.9	37.9	20.6
Public Utilities	38.7	53.4	– 27.5	69.7	– 44.5
Unclassified	110.4	98.1	12.5	94.3	17.1
Farm and Garden Products	0.9	0.9	0.0	0.9	0.0
Manufacturing and Trading	88.3	73.8	19.6	71.8	23.0
Miscellaneous	3.8	2.5	52.0	2.2	72.7
Total	1062.8	950.9	11.8	998.1	6.5

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Sept. 1980	Sales * June 1980	Change From June 1980 (%)	Sales * Sept. 1979	Change From Sept. 1979 (%)
Allen	5,147	4,549	13.1	4,876	5.5
Anderson	2,346	2,106	11.4	2,396	– 2.1
Atchison	4,541	4,243	7.0	4,502	0.9
Barber	2,837	2,484	14.2	2,505	13.2
Barton	30,166	25,052	20.4	22,247	35.6
Bourbon	5,470	5,135	6.5	5,383	1.6
Brown	3,460	3,035	14.0	3,270	5.8
Butler	18,049	14,035	28.6	14,263	26.5
Chase	723	677	6.6	650	11.1
Chautauqua	1,320	1,134	16.4	1,119	18.0
Cherokee	4,140	3,852	7.5	4,153	– 0.3
Cheyenne	1,566	1,188	31.8	1,306	19.9
Clark	661	539	22.6	574	15.1
Clay	3,123	2,699	15.7	3,336	– 6.4
Cloud	4,673	4,203	11.2	4,225	10.6
Coffey	2,283	2,128	7.3	2,200	3.8
Comanche	647	558	16.0	658	– 1.8
Cowley	14,825	12,536	18.3	12,557	18.1
Crawford	12,796	11,235	13.9	12,102	5.7
Decatur	1,773	1,335	32.8	1,559	13.7
Dickinson	5,913	5,112	15.7	5,992	– 1.3
Doniphan	1,869	1,561	19.7	1,954	– 4.3
Douglas	23,317	20,060	16.2	21,164	10.2
Edwards	1,113	992	12.2	968	14.9
Elk	652	551	18.3	629	3.5
Ellis	15,236	11,630	31.0	12,521	21.7
Ellsworth	2,237	1,587	40.9	2,027	10.4
Finney	16,765	14,573	15.0	15,235	10.0
Ford	15,902	12,510	27.1	14,397	10.5
Franklin	6,790	5,873	15.6	6,642	2.2
Geary	9,176	7,858	16.8	8,330	10.2
Gove	1,473	1,243	18.5	1,215	21.3
Graham	2,011	1,469	36.9	1,708	17.7
Grant	4,074	3,489	16.8	3,472	17.3
Gray	1,679	1,579	6.3	1,903	– 11.8
Greeley	678	547	24.0	697	– 2.7
Greenwood	3,211	2,623	22.4	2,753	16.6
Hamilton	852	705	20.8	869	– 1.9
Harper	3,438	2,561	34.3	2,840	21.0
Harvey	9,616	8,666	11.0	8,719	10.3
Haskell	1,195	936	27.6	1,064	12.3
Hodgeman	443	322	37.7	398	11.3
Jackson	2,192	1,978	10.8	2,097	4.5
Jefferson	2,878	2,286	25.9	2,925	– 1.6
Jewell	997	807	23.6	901	10.6
Johnson	128,072	112,582	13.8	113,251	13.1
Kearny	682	644	5.8	650	4.8
Kingman	2,715	2,513	8.0	2,430	11.7
Kiowa	1,573	1,462	7.6	1,296	21.4
Labette	8,084	6,759	19.6	7,507	7.7
Lane	945	634	49.1	829	14.0
Leavenworth	11,963	10,505	13.9	11,355	5.4
Lincoln	1,275	928	37.4	1,218	4.6

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Sept. 1980	Sales * June 1980	Change From June 1980 (%)	Sales * Sept. 1979	Change From Sept. 1979 (%)
Linn	1,634	1,546	5.6	1,850	– 11.7
Logan	2,035	1,426	42.7	1,799	13.1
Lyon	13,855	12,577	10.2	12,285	12.8
McPherson	10,339	8,777	17.8	9,714	6.4
Marion	3,781	3,304	14.4	3,552	6.4
Marshall	3,796	3,442	10.3	3,904	– 2.8
Meade	1,453	1,373	5.8	1,286	13.0
Miami	6,179	5,462	13.1	5,397	14.5
Mitchell	3,861	3,274	18.0	3,516	9.8
Montgomery	16,376	14,932	9.7	14,868	10.1
Morris	1,516	1,333	13.7	1,408	7.6
Morton	1,802	1,165	54.7	1,094	64.7
Nemaha	3,178	3,038	4.6	3,152	0.8
Neosho	9,254	7,488	23.6	6,922	33.7
Ness	2,414	1,798	34.2	1,591	51.7
Norton	2,535	1,853	36.8	2,245	12.9
Osage	3,219	2,855	12.8	3,155	2.0
Osborne	1,967	1,660	18.5	1,758	11.9
Ottawa	1,339	1,115	20.1	1,255	6.7
Pawnee	3,334	2,649	25.8	3,152	5.8
Phillips	2,532	2,210	14.5	2,540	– 0.3
Pottawatomie	4,984	4,142	20.3	4,010	24.3
Pratt	5,613	4,989	12.5	5,129	9.4
Rawlins	1,068	887	20.4	1,011	5.6
Reno	30,867	26,457	16.7	27,840	10.9
Republic	2,427	1,978	22.7	2,333	4.1
Rice	3,677	3,015	22.0	3,127	17.6
Riley	14,644	13,668	7.1	14,383	1.8
Rooks	5,118	3,787	35.1	3,389	51.0
Rush	1,520	1,182	28.6	1,292	17.6
Russell	6,690	4,930	35.7	4,928	35.8
Saline	28,481	24,460	16.4	26,968	5.6
Scott	3,922	2,381	64.7	2,710	44.7
Sedgwick	200,456	182,833	9.6	182,221	10.0
Seward	12,806	11,761	8.9	11,429	12.0
Shawnee	72,202	65,677	9.9	72,997	– 1.1
Sheridan	1,418	998	42.0	1,368	3.7
Sherman	4,666	3,418	36.5	4,203	11.0
Smith	2,136	1,524	40.2	1,994	7.1
Stafford	2,106	1,506	39.8	1,585	32.9
Stanton	962	656	46.8	619	55.6
Stevens	1,537	1,478	4.0	1,574	– 2.4
Sumner	7,382	5,451	35.4	6,248	18.1
Thomas	5,021	4,006	25.3	4,785	4.9
Trego	1,618	1,325	22.1	1,425	13.5
Wabaunsee	1,048	805	30.2	1,152	– 9.0
Wallace	709	553	28.2	665	6.6
Washington	1,936	1,806	7.2	2,046	– 5.4
Wichita	1,895	886	113.8	941	101.4
Wilson	2,729	2,455	11.1	2,667	2.3
Woodson	1,070	821	30.3	1,063	0.7
Wyandotte	61,764	52,985	16.6	60,587	1.9

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.93	3.78	4.0	3.84	2.3	3.49
Corn (bu.)	3.22	3.10	3.9	2.54	26.8	2.48
Sorghum (cwt.)	5.14	5.06	1.6	3.95	30.1	3.75
Hay (ton)	63.00	56.00	12.5	46.50	35.5	50.17
Soybeans (bu.)	7.86	7.24	8.6	6.66	18.0	6.72
Livestock & Products						
Beef Cattle (cwt.)	64.90	65.80	– 1.4	70.90	– 8.5	67.82
Calves (cwt.)	73.90	75.20	– 1.7	90.10	– 18.0	87.14
Hogs (cwt.)	45.60	45.60	0.0	37.40	21.9	41.83
Lambs (cwt.)	65.40	66.00	– 0.9	63.20	3.5	66.18
Sheep (cwt.)	20.10	20.10	0.0	34.50	– 41.7	21.15
Milk (cwt.)	13.20	12.40	6.5	12.20	8.2	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	13.50	13.00	3.8	12.50	8.0	12.33
Bran (cwt.)	8.30	8.10	2.5	7.20	15.3	7.55
Beef Conc. (cwt.)	11.00	10.50	4.8	9.60	14.6	9.61
16% Dairy Feed (ton)	193.00	175.00	10.3	156.00	23.7	154.50
Hog Conc. (cwt.)	15.60	14.50	7.6	14.00	11.4	13.83
Laying Feed (ton)	220.00	200.00	10.0	185.00	18.9	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY FOR ALL BANKS
(millions of dollars)

	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change
Kansas—Statewide					
Loans	7,808	7,849	– 0.5	8,073	– 3.3
Demand Deposits	4,064	3,913	3.9	3,968	2.4
Time & Saving Deposits	9,180	9,210	– 0.3	8,317	10.4
Loan-to-Deposit Ratio	59.0%	59.8%		65.7%	
Kansas City (Wyandotte)					
Loans	510	507	0.6	572	– 10.8
Demand Deposits	252	228	10.5	231	9.1
Time & Saving Deposits	583	596	– 2.2	564	3.4
Loan-to-Deposit Ratio	61.1%	61.5%		71.9%	
Topeka (Shawnee)					
Loans	483	485	– 0.4	512	– 5.7
Demand Deposits	271	269	0.7	303	– 10.6
Time & Saving Deposits	484	528	– 8.3	559	– 13.4
Loan-to-Deposit Ratio	64.0%	60.9%		59.4%	
Wichita (Sedgwick)					
Loans	1,180	1,164	1.4	1,234	– 4.4
Demand Deposits	849	798	6.4	755	12.5
Time & Saving Deposits	1,249	1,230	1.5	1,084	15.2
Loan-to-Deposit Ratio	56.2%	57.4%		67.1%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VII-I
COMMERCIAL BANKING ACTIVITY FOR MEMBER BANKS

(millions of dollars)

	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change
Kansas—Statewide					
Loans	3,517	3,503	0.4	3,603	– 2.4
Demand Deposits	2,069	1,982	4.4	2,010	2.9
Time & Saving Deposits	3,967	3,980	– 0.3	3,594	10.4
Loan-to-Deposit Ratio	58.3%	58.8%		64.3%	
Kansas City (Wyandotte)					
Loans	198	196	1.0	221	– 10.4
Demand Deposits	117	106	10.4	107	9.3
Time & Saving Deposits	207	212	– 2.4	200	3.5
Loan-to-Deposit Ratio	61.1%	61.6%		72.0%	
Topeka (Shawnee)					
Loans	265	266	– 0.4	281	– 5.7
Demand Deposits	177	175	1.1	197	– 10.2
Time & Saving Deposits	259	283	– 8.5	299	– 13.4
Loan-to-Deposit Ratio	60.8%	58.1%		56.7%	
Wichita (Sedgwick)					
Loans	672	663	1.4	703	– 4.4
Demand Deposits	524	493	6.3	466	12.4
Time & Saving Deposits	605	596	1.5	525	15.2
Loan-to-Deposit Ratio	59.5%	60.9%		70.9%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute For Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change
Net New Savings	1,100	14,600	– 92.5	1,900	– 42.1
Mortgage Loans Made	119,000	100,400	18.5	87,200	36.5

Source: Federal Home Loan Bank of Topeka

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